

The Bulgarian Local Economic Development Partnership: Local Governments Working Together to Foster Sustainable Economic Growth

I Abstract

Since 1997, through the USAID funded Resource Cities and CityLinks Programs, the International City/County Management (ICMA) and the Bulgarian Foundation for Local Government Reform (FLGR) have been instrumental in supporting a professional and systematic approach to local economic development (LED) in Bulgaria. In the early years, the program paired U.S. cities with Bulgarian municipalities to work on individual economic development projects. That effort has evolved to include the creation and support of an association of Bulgarian municipalities that applies systematic and sustainable economic development strategies to improve the economic vitality of their individual communities. With technical assistance from American economic development experts, Bulgarian municipalities are applying proven “best practices” to foster business development, create jobs and improve the quality of life for their citizens. An informal association of 14 Bulgarian communities was recently expanded to 29 municipalities, with the original 14 serving as mentors to new participants. The success of the program has resulted in a change in the mindset of many mayors and other local government officials of Bulgarian municipalities, who now recognize the key facilitating role local governments have to play in fostering LED, and understand the value of the professionalism to sustainable economic growth.

Together, ICMA, USAID and FLGR have built the capacity of Bulgarian local governments to implement a systematic and sustainable approach to economic development. As a result of these successes, the Bulgaria Local Economic Development Partnership (LEDP) is considered a model for building local economic development capacity in other transitional countries throughout Europe and Eurasia.

II Introduction and Background

Economic Restructuring in Bulgaria

Bulgaria, located on the Balkan Peninsula, is a lower to middle income country. While GDP growth in 2004 was 5.3% per capita, personal incomes are still only 28 percent of the European Union average. The unemployment rate has been dropping, but is still significant at 12.2%.

Bulgaria has experienced significant economic restructuring over the last fourteen years, but still lags behind other former communist countries in Eastern Europe. This situation continues to place considerable strain on many vulnerable groups (pensioners, unemployed, minorities, large families). With accession to the European Union

Bulgaria Facts

Location: Balkan Peninsula, south of Romania, north of Greece and Turkey.

Size: 110,944 sq km

Capital: Sofia

Population: 7.6 million (declining)

GDP per capita: \$7,600 (2003)

GDP Growth Rate: 5.3% (2004)

Unemployment: 12.2 % (2005)

Average Monthly Salary: \$190 (2004)

EU Accession Candidate: 2007

Sources: Bulgarian National Bank, National Statistical institute, National Employment Service, World Bank

slated to occur in 2007, the national government is under tremendous pressure to undertake further legislative reforms in the economic development arena to remove obstacles to business formation and improve competitiveness, reduce opportunities for corruption, and facilitate partnerships with the private sector, in order to increase employment opportunities and attract greater foreign and domestic investment. There is increasing recognition that to compete in EU and global markets, it is critical that the legislative and institutional framework at both the national and local levels enable, rather than impede, private sector growth, and is transparent, stable, and predictable.

Economic Development Challenges of Bulgarian Municipal Governments

Municipal governments in Bulgaria face many challenges: weak local economies, limited authority to raise local revenues, and insufficient supplemental funding from the Bulgarian national government. Municipal administrations often lack an understanding of their role to foster and support economic development in a market economy, and are just beginning to understand the importance of strategic planning for economic development and of having trained, skilled professionals coordinating their LED efforts.

The closure of many large, obsolete, state owned manufacturing plants has resulted in significant job loss and labor dislocation. Municipalities have been left to deal with the social and economic problems of high unemployment among workers whose skills are no longer in demand. For example, a former defense manufacturer of optical components in Panagyurishte has been privatized and now operates at 20% of its former capacity. A sizeable, technically trained workforce remains, but with few opportunities for new employment without significant retraining or relocating.

Municipalities have large inventories of sites and buildings that have been transferred to them by the national government. Many are in poor condition; some have environmental contamination from previous manufacturing uses, and others have limited transportation access. Attracting quality investors to buy these surplus properties is often difficult. Many municipalities have sold properties off quickly for highly discounted prices, without evaluating how they can be most effectively leveraged to support the community's strategic economic development goals. In some cases, ownership may be shared or have unclear title.

Municipal Economic Development Challenges

- Large, abandoned industrial complexes.
- Large inventory of municipally owned properties.
- Labor skills imbalance.
- Limited local control of tax base.
- No tradition of local economic development professionalism.
- Lack of continuity in economic development strategies across political administrations.
- Poor infrastructure maintenance and limited ability to finance repairs or upgrades.

Deteriorated roadways, antiquated water distribution and treatment systems, limited wastewater capacity, and outdated telecommunications systems all work against the attraction of foreign and domestic investment. There is limited funding available from the national government for infrastructure upgrades, and local governments lack knowledge of how to access international capital markets or issue municipal bonds for capital improvements. Municipal governments also have limited control over local tax rates and fees.

Traditionally, little accessible or affordable financing has been available to small and medium enterprises (SMEs), and few meaningful financial incentives exist for foreign investors who

might reuse existing municipal facilities or build on new sites. International donors have helped create some business support services (training, financing, marketing, etc.) at the local level, but many local governments remain unclear what their role should be in sustaining and expanding this kind of business assistance. Distrust between the public and private sectors remains high.

Politically savvy mayors in Bulgaria increasingly understand that their re-election depends in no small measure on a public perception that they are proactively addressing these issues and working to create new job opportunities in their communities. They are beginning to recognize and appreciate that a professional and strategic approach to economic development is the only way to achieve these goals. Exposure to the resources provided by the LEDP has shifted the way many municipalities approach economic development (e.g., forming partnerships with businesses to develop industrial parks, reaching out and including businesses in the policy formation process, seeking business advice on the most effective infrastructure and programs to promote business development).

III From the Bulgaria Technical Twinning Program to the Bulgaria Local Economic Development Partnership

As part of its strategy to address these economic development challenges, in 1997 the United States Agency of International Development Bulgaria Mission (USAID/Bulgaria) initiated the 'Bulgaria Technical Twinning Program' in collaboration with the International City/County Management Association (ICMA) and the Bulgarian Foundation for Local Government Reform (FLRG).

The program, currently in its fifth phase through the ICMA/USAID CityLinks program, is now known as the Bulgaria Local Economic Development Partnership (LEDP). In the early years, U.S. and Bulgarian cities were partnered to work on economic development projects intended to improve community quality of life and help generate new jobs. The program has evolved from these one-on-one partnerships into a rapidly expanding association of Bulgarian municipalities who network and cooperate to encourage private sector investment. Through the association, which is housed within FLGR, 29 participating communities currently receive training from U.S. partner cities about effective economic development techniques, engage in joint marketing at trade shows, and contribute to a joint website maintained by FLGR that offers potential investors basic information about business opportunities in individual municipalities.

A cornerstone of the LEDP in its current phase is a program developed by ICMA, U.S. partner cities and FLGR through which participating municipalities are certified as 'Ready for Business.' Basic LED training for municipal LED professionals is provided by U.S. practitioners, and FLGR then administers a certification process to verify that a municipality and its staff are dedicated and prepared to assist existing businesses and potential investors by establishing fair, open, and to using business friendly approaches to retain and attract quality business. To date, 12 LEDP municipalities have been certified, and an additional 15 cities recently joined the program. In addition to receiving basic economic development training, staff from these Phase Two cities are being 'mentored' by certified municipalities.

The LEDP Strategy and Approach

The LEDP starts with two simple premises:

- No matter how dire a community's circumstances, something positive can always be done to encourage economic development.
- No matter how daunting the economic development problem appears, there is no time like the present to begin work.

In the first phases of the program, Bulgarian municipalities were 'twinning' with U.S. cities to work on specific economic development projects, based on the proven premise that local government officials and economic development practitioners learn best from each other. Application and replication of "best practices" serves as the working model for all of the Bulgarian/U.S. partnerships. In all phases of the program, Bulgarian municipalities have been required to demonstrate a commitment to strategic economic development, and mayors and municipal councils must commit in writing to supporting a professional and ethical approach to economic development. Each city must also create a dedicated economic development staff position and commit to sending that professional to training provided by U.S. partners and FLGR. After attending an informational meeting and submitting applications to FLGR, FLGR staff recommend municipalities for inclusion in the program, subject to ICMA and USAID approval. Many of the communities that participate in LEDP have previously been involved in other FLGR programs.

The table below lists the Bulgarian communities involved in the original 'Technical Twinning' phases of LEDP, their U.S. partners, and the LED projects they worked on together. An important element of the LEDP is the 'replication and transfer' component. Bulgarian cities that participated in the first phase of the program served as 'mentors' to the second round of Bulgarian cities. While several new U.S. partner cities joined the program, a number of those involved in the first phase continued on as partners and/or mentors to additional Bulgarian communities. In addition, grants were provided by USAID to implement small-scale projects identified by the partners in the first phase of their relationship.

Bulgarian City	U.S. Partner	Economic Development Project(s)
Blagoevgrad	Auburn, Alabama	General Business Retention and Expansion Program
Dobrich	Auburn, Alabama	Business Retention and Expansion Program for the Food Processing Industry
Gabrovo	West Carrollton, Ohio	Advisory Council for Economic Development (ACED) and Organization of a Local Economic Development Department
Haskovo	Abington, Pennsylvania	Establishment of a Municipal Economic Development Team and Development of a Business Incentives Package
Karlovo	Winchester, Virginia	Development and Marketing of a Private Industrial Park
Montana	Ontario, California	Development of an SME Industrial Park
Panagyurishte	West Carrollton, Ohio	Development of a Marketing Strategy for a High-tech Industrial Park
Pazardjik	West Bend, Wisconsin	Development of an Industrial Park
Pleven	Charlottesville, Virginia	Development of a Business Information Center and Development of a Strategy for recruiting foreign investment

Razgrad	Kettering, Ohio	Develop of a Conceptual Design and Strategy for Development of a Recreation and Tourism Park
Silistra	Kettering, Ohio	Develop and Implement a Marketing Strategy for a Business Park
Sliven	Auburn, Alabama	Development of a Marketing Program for Existing Municipal Buildings
Stara Zagora	Ontario, California	Development of a Marketing Program for Existing Municipal Sites

The Technical Twinning partnerships generally followed a number of common steps:

1. *Joint assessment of economic development challenges and opportunities.* Together, the Bulgarians and their American partners conducted an on-site assessment of the economic development needs of the Bulgarian community based on a survey of local conditions. The purpose of the site assessment was for the U.S. team to:

- Better understand the economic base of the community (tourism, industrial, agricultural);
- Evaluate the challenges to development in terms of access, condition of infrastructure, and the experience of the municipality's staff in economic development;
- Identify the strengths of the municipality in terms of work forces skills, natural resources, existence of educational and institutional resources, etc.

2. *Selection of specific, measurable, and implementable projects that can improve economic prosperity.* Through the assessment, the partners sought out projects that best matched the needs of the Bulgarian staff with the capabilities and resources of their U.S. counterparts. It was important that selected projects be strategically linked to the Bulgarian municipality's efforts to improve economic vitality, and that the staff resources, municipal commitment, and reasonable sources of funding be available to implement them and yield successful outcomes within the time constraints of the 18 – 24 month period of partnership funding.

3. *Preparation and implementation of an Action Plan designed to apply "best practices" in a strategic way.* After preparing a problem statement documenting the need for the selected economic development project, the partners prepared a set of short-term and long-term goals to ensure the project is strategically linked to the community's needs. A detailed Action Plan of implementation steps is then assigned responsible parties to perform specific action steps, and identified a time line for the completion of each step. The Action Plan also indicated what the expected results were, and how successful implementation of the project would be measured.

For example, Silistra and its U.S. partner Kettering, Ohio determined that the lack of available sites with modern surface and underground infrastructure was a significant constraint to job creation in Silistra. A modern industrial park was necessary if existing businesses were to grow and attract foreign investment. As the result of their initial work together, the Silistra/Kettering team concluded that the development of a technology oriented business park on municipally owned property could be a successful approach to the retention, expansion, and recruitment of businesses in Silistra.

After developing a design concept for the physical aspects of the park (supporting a mix of technology-related uses (e.g., software development, manufacturing of computer parts, etc.), infrastructure requirements, costs, etc.), the Silistra/Kettering team developed an Action Plan to

prepare a marketing strategy to attract investors. Silistra staff, with mentoring from economic development professionals from Kettering and Auburn, Alabama, conducted research to identify the range of potential business types to target for investment, and worked with their U.S. peers to develop marketing materials, identify potential investors, and make contact with them. Silistra staff were also able to ‘job shadow’ economic development professionals in Kettering and Auburn, which enabled them to acquire new skills in economic development marketing and land redevelopment. Silistra has begun to implement the plan by demolishing targeted buildings and marketing to the vacant land to investors, and has initiated efforts to secure funding for park infrastructure.

4. *Encouraged the use of public participation during the planning and implementation of projects.* In the Silistra example cited above, the process included forming a steering committee of business leaders, representatives of local NGOs and the citizens to ensure transparency and receive public input into the process. The use of citizen surveys, public forums, ad hoc focus groups and standing advisory committees is becoming a more prevalent practice in LEDP communities.

5. *Provided “nuts and bolts” economic development training for municipal staff and elected leadership utilizing the skills and experience of the US partners.* In addition to providing technical assistance to Bulgarian cities for specific projects, the LEDP program seeks to build the professional economic development capacity of municipal staff. As noted above, participating Bulgarian municipalities must commit to employing one or more economic development specialists who are prepared to apply a professional approach in dealing with existing businesses and potential investors, and to work towards certification that they have mastered basic economic development skills.

In concurrence with the one-on-one partnerships, U.S. LED experts involved in the program have worked with FLGR and ICMA to develop training workshops to provide Bulgarian LED staff with the general skills they need to approach economic development professionally and to support the individual projects being implemented through their ‘twinning’ partnerships. While training has been primarily focused on providing basic skills to the LED professionals working in the LEDP municipalities, a number of sessions have also included mayors and council members.



LED Specialists at LED Basic Training

Training topics include: marketing, business retention and expansion, organization of business advisory councils, website development, prospect handling, trade show exhibition skills, development financing and strategic planning. Training is primarily delivered by experts from U.S. partner cities in week-long conferences, supplemented by subsequent, shorter workshops. As the skills and experience of the Bulgarian LED professionals continues to grow, they are expected to gradually take over the training role and to serve as mentors to new participants in LEDP.

6. *Certify individuals and municipalities as “Ready for Business.”* One of the primary objectives of LEDP is for participating jurisdictions to establish and sustain LED programs through training and supporting professional LED staff. To that end, continued participation in the program is conditioned on having trained staff and being “certified” as having met a basic level of economic development proficiency and standards (See text box at right) created jointly by U.S. partners cities, FLGR, and ICMA. The certification requirements are designed to reflect the basic skills set needed to promote economic development, and are divided into “Basic” and “Advanced” categories.

7. *Maintain a sustainable support system to foster economic development.* In addition to the technical benefits of the basic economic development training, LEDP fosters networking and builds relationships among the participating LED professionals. These relationships allow them to mentor each other and encourage further sharing of economic development best practices. The professionals that participated in the initial startup of the program have begun to teach and mentor the staff of new communities entering the program.

Basic LEDP Certification Requirements

- Establishment of a separate ED office staffed with at least one trained professional
- Prepare and maintain basic marketing materials (e.g. city profile, company profiles, sites data sheets, “invest.bg” website maintenance).
- Accurate self-assessment of the municipalities existing economic, demographic, and infrastructure status.
- Written political commitment from both Mayor and Municipal Council.
- Build a Business Retention and Expansion visitation program to solicit business comment by visitation, holding forums on business topics.
- Prepare/maintain a basic profile of major businesses and products.
- Participate in training and activities of LEDP.
- Participate in the joint LEDP “invest.bg” website maintained for the association by FLGR.
- Develop a short-term (2-5 yr) Economic Development Action Plan.
- English proficiency of LED professionals

Requirements for LEDP Certification ‘With Excellence’

- Maintain extensive inventory of sites and buildings available for development.
- Prepare a detailed work force analysis and development program, and implement it.
- Develop a long-term strategic ED plan.
- Maintain an online database of industries and distributors.
- Establish an Economic Development Advisory team of key businesses and citizen groups.

FLGR plays a key role in continuing to nurture and grow these relationships, and provides a secretariat for the new LED association of participating cities. FLGR serves as a clearinghouse of economic development knowledge, providing training and continuing to build the professional economic development capacities in participating municipalities through networking. In the longer term, the goal is to create a dedicated professional association for Bulgarian municipal LED practitioners.

IV The Role of USAID, ICMA and FLGR in the Development of the LEDP

As noted earlier, the first phase of the LEDP was established in 1997 as the Bulgaria Technical Twinning Program. Since then, USAID/Bulgaria has funded four additional phases of the program, which has proven to be one of the Mission’s most effective vehicles for implementing

its strategic objective of creating more effective and accountable local governance. USAID/Bulgaria staff have worked closely with ICMA and FLGR to help shape the program as it has evolved. Mission staff also strive to share their experience with USAID colleagues in other transitional countries in the region. In January 2005, USAID/Bulgaria co-hosted a regional workshop on lessons learned from USAID's LED experience in Europe/Eurasia with the EGAT Office of Urban Programs, which offered an excellent opportunity to showcase LEDP success stories and identify effective replication strategies.

ICMA plays a key role in the design, management, and implementation of the LEDP, and serves as the primary liaison between U.S. partner cities, USAID and FLGR. Through its membership network, ICMA has been responsible for recruiting U.S. partner cities and practitioners who are highly regarded in the field of local economic development. The organization's institutional knowledge of economic development activities in the U.S. and throughout the world serves as a rich resource for program participants. ICMA monitors and evaluates the program activities, and helps ensure that they are appropriate, sustainable, and results-oriented.

The Vital Role of FLGR

FLGR's involvement in the LEDP has been key to the program's success and to sustaining and disseminating LED best practices. Established in the mid 1990s with USAID/Bulgaria support, the organization has developed into one of the leading institutions supporting the development of strong, democratic local governance in Bulgaria, and operates an array of programs financed by USAID, the EU, and other funders. Through the LEDP, FLGR staff have been able to participate in a variety of LED professional development activities, and the organization has received technical assistance from ICMA and USAID to strengthen its institutional/financial capacity and long-term sustainability.

FLGR offers customized and needs-based information, expertise and assistance to Bulgarian local governments, promotes innovations in local self-government, documents and disseminates best practices, acts as a mediator, and has built a broad-based network of domestic and international partners in support of its mission to build effective municipal government. FLGR is the key contact with all of the Bulgarian municipalities participating in the LEDP, and provides training, technical assistance, and information dissemination to a large number of Bulgarian municipalities. The FLGR LED Team liaises with Bulgarian municipalities and the business community to encourage investment in Bulgaria and to guide potential prospects to the *invest.bg* website.

As noted earlier, FLGR also administers the LEDP Certification Program, maintains the LEDP website, and serves as a de facto LED association. As the cadre of professional LED practitioners in Bulgaria grows, the goal is to create a dedicated association for LED professionals.

FLGR's website is www.flgr.bg.

V Key Results

By any measure, the LEDP has been a tremendous success. Fourteen Bulgarian municipalities of different sizes and economies now have trained, professional economic development staff to guide the strategic development of their communities, have formed a joint economic development partnership and have successfully completed initial economic projects.

A sampling of program accomplishments is described below.

Participating local governments understand that they have a key role to play in economic development. Perhaps the most important result of the program has been the recognition by Bulgarian mayors and municipal councils that they have a vital and direct role to play in economic development. This change in the mindset of municipal leaders has been critical in motivating Bulgarian local governments to adopt a professional and systematic approach to business development. Prior to 1990, municipalities did not need to market themselves as a location to do business, or need to compete in the global market place. Economic development and investment decisions were entirely within the purview of the central government, and Warsaw Pact countries provided a ready-made market for their goods and services.

Establishment of Business Advisory Councils. One of the challenges facing municipal administrations in Bulgaria is a general lack of trust between business and government. Before public-private partnerships can be developed at the local level, it is necessary for Bulgarian municipalities to understand from their business community what impact municipal programs and projects have on creating a competitive environment. Working relationships need to be established between leaders in the public and private sectors to develop trust, and to ensure that all stakeholders work toward a common goal of increasing employment opportunities for residents. Fostering more positive relationships between local government and local businesses through mechanisms such as business outreach programs and the creation of business advisory councils can help identify shared interests and goals and build understanding and trust. Such advisory councils also enable local governments to tap the talents and resources of the private sector to leverage scarce public resources in support of community goals, and to gain a better understanding of what kinds of assistance local businesses need to prosper and grow.

In Gabrovo, the municipal administration decided that to improve the economic development capacity of municipal staff, it would create a dedicated economic development department, which would receive policy guidance from a public-private advisory council on effective strategies to retain and expand business and attract new investments to Gabrovo. Gabrovo's chief business development expert, with assistance from its U.S. partner West Carrollton, Ohio, began planning for the establishment of an Advisory Council for Economic Development (ACED).

West Carrollton provided Gabrovo with examples of working advisory councils in the U.S. and their operating

Key Elements of Business Advisory Councils in Bulgaria

- Provide advice to the mayor and council on LED issues.
- Concerned with comprehensive approach to economic development.
- Typically have 9 - 15 members.
- Eighty percent private sector membership across all economic sectors and business sizes/types.
- Usually include university or vocational school representatives and NGOs involved in economic development.

characteristics, and offered advice about establishing such a council in Gabrovo. Economic development professionals from both cities led discussions with Gabrovo public officials about the appropriate structure for an ACED, and its main functions. Public meetings were held with local businesses to gauge their reaction to the establishment of an ACED, and to garner their support for the idea. The Gabrovo Mayor established a working commission to develop the ACED's scope of work and determine its membership. The commission consisted of representatives from the local chamber of commerce, a business trade association, two municipal councilors, and municipal staff. Commission members established the criteria for selecting the 15 members of the new ACED: leadership, public recognition, and ownership of a successful business. They agreed that it should include more than 80% business representation, as well as the Municipal Secretary, Deputy Director for Economic Activities and Council President. Important businesses, NGOs and the Technical University of Gabrovo were also included because of their role in developing a qualified labor force.

The Gabrovo ACED is now fully operational, and its establishment has strengthened public trust in the municipality's ability to achieve sustainable social and economic development. The end result is a well-functioning interactive network among the municipality, local businesses, the educational community and local NGOs. Based on the model adopted in Gabrovo, similar advisory councils have also been established in Dobrich, Pazardjik and Panagyurishte, and many other Bulgarian cities are considering this easily replicable best practice.

Development and implementation of business retention and expansion programs. With the demise of large state factories, SMEs are often the best hope for revitalizing the economies in many Bulgarian municipalities. There has not historically been a culture of support for SMEs in Bulgaria, however, and municipal staff generally lack the skills and practice of reaching out to existing businesses in the local community to identify the most effective ways to support and cooperate with them.

A number of participating LEDP municipalities have begun systematic business retention and expansion programs after being trained in how to create and implement such programs and exposure to how they function in U.S. partner cities. One of the most comprehensive of these efforts is in the City of Dobrich. Developed in collaboration with their Auburn, Alabama partners, the municipality supports SMEs by providing loan guarantees, holding periodic public business forums, establishing an 'entrepreneur's desk' in the Dobrich Citizen Information Center, creating an economic development advisory board, developing marketing profiles for major businesses, and publishing a monthly newsletter of programs and information of interest to local businesses.

One series of outreach forums organized by the Dobrich mayor dealt with how the public transport system could be changed to better meet the needs of workers and companies. More than 50 local companies were interviewed, and the results presented during a public discussion of possible alternatives. As a result of the public discussions, five bus routes were changed and three new ones created to better meet the needs of companies and their workers. Not only did this specific effort result in better public transport, it served as an excellent example of a municipality actively encouraging public participation in government decision making.

In response to comments about the lack of information concerning available funding from national and international programs for SMEs, “The Partners” newsletter was developed as a joint effort of the Chamber of Commerce and Industry, the Dobrich Business Center and the development office of the regional government. The purpose of the newsletter is to provide information on services and programs they provide to assist businesses in the community (e.g. training, roundtables, etc.), and it is distributed electronically to all businesses in the municipality.

Development of municipally owned industrial and technology parks on ‘greenfield’ sites. As Bulgarian municipalities seek new investment, especially foreign investment, they generally find that existing commercial sites do not meet the modern standards for the condition and level of infrastructure expected by businesses. In order to attract new investment, a number of municipalities are using the significant assets they have in large tracts of surplus agricultural land that, with appropriate infrastructure, can be marketed as ‘greenfield’ industrial park sites for new investors.

The Municipality of Pazardjik is a good example of what is possible with municipally sponsored industrial parks. Pazardjik had significant assets it could use to rebuild its economy: a skilled and literate workforce, large tracts of greenfield land, proximity to Bulgaria’s two largest cities (Sofia and Plovdiv) and access to the “Trakiya” international highway linking Bulgaria with Turkey and Western Europe. Through the LEDP, Pazardjik partnered with West Bend, Wisconsin to develop a plan to leverage these assets into a successful industrial park.



Building the new Pazardjik Industrial Park

Together, Pazardjik and West Bend developed an economic development strategy that included:

- Creating a business development plan for an industrial park that was responsive to the needs of the business community;
- Training municipal staff members as economic development professionals;
- Establishing a municipally developed industrial park; and
- Financing and extending infrastructure to the industrial park.

Prior to developing a specific plan for the industrial park, Pazardjik’s economic development team visited with local companies and representatives of the Pazardjik business community. This research revealed two critical factors: 1) businesses wanted to purchase rather than lease land, and 2) the municipality needed to make the parcels “shovel ready” by providing the necessary infrastructure (water, electricity, communication) prior to offering them for sale.

After selecting a 40-acre parcel of undeveloped municipally-owned land, West Bend LED staff took the lead in creating a development plan for the new industrial park, working closely with their Pazardjik colleagues. After reviewing the site’s location, the optimal parcel size, and process for lot sales, the partners decided to double the size of the industrial park. Because the

selected site was zoned for agricultural use, Pazardjik officials had to apply to the national government to reclassify the site for industrial use, which required significant persistence on the part of local officials but was ultimately successful.

Creating the industrial park required several steps:

- Identifying potential investors. The partners worked together to survey the business community in order to identify existing SMEs that wanted to expand, potential investors (such as banks and entrepreneurs), and the specific needs of each.
- Marketing the park to these investors. Using examples from West Bend, the team prepared a brochure to help attract potential investors. The brochure, produced in Bulgarian and English, included maps illustrating the location of the industrial park and a sample division of the parcels. One thousand brochures were distributed to businesses, banks, business development organizations and others that might have an interest in the park.
- Selling the lots. The partners developed an open and transparent process for the sale of parcels that recognized the differing value of parcels, based on their location within the park. All parcels were sold below market value in anticipation that the long-term benefits of creating an estimated 400 jobs would outweigh the forgone revenue from higher sale prices.

The municipality lacked the resources to fund all infrastructure up front, so the sale of the lots started with only limited infrastructure in place. Because bond financing is not yet practical for small cities in Bulgaria, Pazardjik used a commercial bank loan to extend basic infrastructure to the edge of the industrial park, and required businesses to extend the lines to their facilities in exchange for below market land prices. This creative financing permitted the development of the industrial park to proceed rather than having to wait until full infrastructure financing could be obtained.

The Pazardjik Industrial Park has been a success. About 98 % of land has been sold, and nine businesses are in various stages of investing over \$5.5 million to create 420 jobs. The project has given potential investors confidence in the municipality's commitment and ability to carry out its economic development initiatives. In addition, this success has resulted in greater public support for other city projects. Industrial parks are also in various stages of development in Stara Zagora and Silistra.

Development of the “invest.bg” website. The culmination of the initial effort to train and certify economic development professionals was the development of a website featuring the participating LEDP municipalities. This website provides a “one-stop” location for potential investors, providing basic investor information for Bulgaria as a whole (sources of statistical information, business regulation, tax structure), and specific information about the individual cities in the LEDP partnership (available buildings and sites, labor availability, wages rates, etc.).



FLGR provides general support and administration of the site, is responsible for updating the macro-level information about Bulgaria and monitors the content of the individual communities

to ensure that it is complete and current. FLGR is also responsible for marketing the website and distributing any leads that come through it to the appropriate municipalities for response and follow-up.

The *invest.bg* website has been structured to provide the individual communities direct access to their city's information so that it can be updated as often as needed. This provides the municipalities with control over content, and makes them responsible for its quality. The site address is included in the marketing materials of the individual municipalities in an attempt to "drive" traffic to the site. In essence, the *invest.bg* website serves as a filing cabinet of initial economic information available to any investor worldwide.

Participation of the LEDP Association in the Hanover, Germany Industrial Trade Show. As an outgrowth of the economic development training efforts of the LEDP, LED professionals from five participating municipalities and FLGR staff represented the LEDP municipalities at the April 2004 Hanover Industrial Trade Show in Hanover, Germany. The City of Auburn, Alabama shared a portion of its booth space with the LEDP municipalities. The Bulgarian LED



participants were selected based on their strong performance during the economic development training program, including the quality of their presentation skills and English proficiency. Prior to the show, the LED experts received special training in handling inquiries, identifying industries and companies to visit at the show, and how to manage a tradeshow booth. Auburn staff also mentored their Bulgarian colleagues as they worked the show and visited with targeted companies.

LED Specialists participate in the Hanover Trade Fair

Participation in the Hanover show was important for a number of reasons. Attending the trade fair provided the Bulgarian municipalities with an opportunity to present Bulgaria's potential as a business location and to counter negative perceptions about Bulgaria as a place to invest. Although only five LED experts attended the show, they represented the business resources of all 14 LEDP communities. The show also provided practical experience to the Bulgarian LED experts that can be shared with peers who may attend future trade shows.

The efforts of the LEDP participants resulted in a series of business contacts by companies from Greece, Italy, Germany, Jordan and the United States, among others. After the show, the LED experts, assisted by FLGR, distributed and responded to these requests with specific proposals from Bulgarian companies. One of the first successful contacts through the LEDP network, with the assistance of Gabrovo, was with a German company, BIT Analytical Instruments GmbH.

VI Lessons Learned

The experience gained during the LEDP point to a number of elements that are necessary for successful economic development programs in transitional countries:

Political and administrative commitment is required by local government officials. It is essential that both the legislative and administrative leadership give serious political and financial support to economic development efforts. Traditionally, Bulgarian mayors often serve as the municipality's lead economic development contact. While they may be able to “close the deal,” they generally have little of the technical expertise needed to work with prospective investors. Commitment to a professional approach and to staffing up for economic development are essential if LED efforts are to be effective and sustainable.

Finding a committed, capable in-country partner – FLGR – has been essential to the program’s success. An organization in the host country that knows the political culture, speaks the native language, and can troubleshoot and provide ongoing support and monitoring is vital to the success of any economic development assistance effort involving international donors. This organization must be trusted by local communities and understand the municipal government structure and national legislative framework.

In the case of Bulgaria, ICMA and USAID have an excellent partner in FLGR. FLGR staff provide administrative, logistical, and technical support to participating Bulgarian municipalities, U.S. partners and ICMA. FLGR is instrumental in keeping LEDP projects and activities focused and on schedule. Amongst its multiple responsibilities, FLGR:

- Serves as the primary liaison to participating Bulgarian municipalities and ICMA;
- Handles in-country travel and lodging arrangements for U.S. partners while in Bulgaria;
- Arranges for interpretation services in Bulgaria and for the translation of program documents;
- Organizes all training seminars for economic development professionals, mayors and council members of LEDP communities;
- Manages the LEDP joint website;
- Provides ongoing follow-up and support to participating Bulgarian cities; and, perhaps most importantly
- Encourages long-term sustainability by providing an institutional continuity for the economic development programs in participating communities over many years.

Sustainable and widespread economic development success is achieved through replication of proven “best practices”. The fundamental goal of the LEDP is to create sustainable economic development in Bulgaria at the local level. Sharing successful economic development practices and lessons learned is one of the most effective ways to teach communities about economic development. Case studies on economic development projects have been written and shared through a series of best practices symposiums at the end of each phase of the program to celebrate the program’s accomplishments. Mentoring from ‘veteran’ LEDP communities and their U.S. partners to encourage replication of successful programs in other municipalities has been a cornerstone of the program. As the program has evolved, Bulgarian municipalities have begun to assist other municipalities to meet the criteria for basic certification and develop

technical projects. These mentors pass their practical experience of adapting and developing LED practices in Bulgaria to their neighboring municipalities and assist in training new LED Specialists.

Internal networking between LED professionals who have participated in the LEDP training program, facilitated by FLGR, is an important mechanism to foster information-sharing about what works and what doesn't between communities. These LED professionals also serve as mentors to new municipalities in the program. As USAID and ICMA reduce their presence in Bulgaria, this networking and relationship building is helping to ensure the sustainability of the investments that have been made.

Sustainability requires that professional economic development capacity be built in each municipality. Building the economic development professional capacity of municipal staff is fundamental for a community's strategic economic development effort to be successful and sustainable. Training in economic development fundamentals is essential to building a professional and long-term approach to economic development. This capacity building is required at an institutional level and for individual staff members charged with leading LED activities. While individual communities worked on different projects with their U.S. partners, designated LED professionals have received extensive general economic development training in marketing, preparing economic development action plans, handling prospects, giving presentations to prospective investors, etc. In addition, promising LED professionals who have completed the basic LEDP training are placed in three - four week internships in U.S. partner cities in order to gain a better understanding of how the economic development process works in action. Participants in the internship program are selected on a competitive basis by FLGR based on their advancement in LEDP training program.

Seek opportunities to show short-term success while developing a long-term, strategic economic development plan. The ultimate goal of the LEDP is to encourage long-term, sustainable economic improvement at the local level. The political reality is that mayors and councils must show citizens that their economic development efforts have immediate, tangible benefits. LEDP activities have been designed to lay the foundation of long-term economic development planning while delivering projects with short-term, tangible results that improve the quality of life for citizens in the local community.

The retention and expansion of existing businesses is as important as new business attraction for Bulgarian municipalities. Research has proven that overall, almost 80% of all new jobs are generated by the growth of existing businesses within a community. Although landing a large new company may garner media attention for elected officials, Bulgarian municipal governments need to understand that their scarce resources can generally be put to more effective use by determining what kinds of support existing businesses need to thrive and expand.

VII Conclusions

Municipalities in transitional economies must learn to compete globally if their citizens are to benefit from a higher quality of life. The Bulgaria LEDP has been an important model for how

to foster successful economic development at the local level. LEDP has evolved from a program that ‘twinning’ U.S. and Bulgarian municipalities to work on LED projects to one in which a national network of skilled LED professionals is being created, and sustainable LED capacity being built at the municipal level to foster sustainable economic growth and create jobs.

The program has made municipal officials aware of their role as facilitators of economic development and of the need to pursue economic development in a strategic and professional manner. It has helped them understand the importance of building positive, long-term relationships with the business community. Local governments have been encouraged to think strategically about the public infrastructure investments needed to support business development, and to come up with creative ways to meet these needs. LEDP has also fostered greater public participation in local governance, and offers an excellent and replicable ‘best practice’ for USAID economic growth and democracy and governance programs throughout the region.